

SENATE BILL REPORT

SB 5650

As Reported By Senate Committee On:
Consumer Protection & Housing, February 23, 2007

Title: An act relating to disclosure of the percentage of automatic service charges paid to servers.

Brief Description: Requiring disclosure to customers of the percentage of automatic service charges paid to servers.

Sponsors: Senators Kauffman, Kohl-Welles, Weinstein and Keiser.

Brief History:

Committee Activity: Consumer Protection & Housing: 2/15/07, 2/23/07 [DPS].

SENATE COMMITTEE ON CONSUMER PROTECTION & HOUSING

Majority Report: That Substitute Senate Bill No. 5650 be substituted therefor, and the substitute bill do pass.

Signed by Senators Weinstein, Chair; Kauffman, Vice Chair; Honeyford, Ranking Minority Member; Delvin, Haugen, Jacobsen, Kilmer and Tom.

Staff: Vanessa Firnhaber-Baker (786-7471)

Background: Some businesses, such as restaurants and hotels, automatically charge customers a service fee that is paid directly to employees who have served the customer. Under current law, businesses are not required to disclose the percentage of the bill that is an automatic service charge.

Summary of Bill: Service-oriented businesses, such as restaurants, bars, convention centers, and hotels, must disclose to customers the percentage of the bill that is paid directly to employees serving the customer as a gratuity or service charge. The disclosure must be in an itemized receipt and in any menu that the business provides. The service charges or gratuities that must be disclosed are defined as a separately designated amount that is collected by the business for services provided by the employees, or that is described in such a way that customers might reasonably believe that the amounts are for such services. These service charges are amounts that are in addition to the hourly wages paid to the employee.

EFFECT OF CHANGES MADE BY RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Consumer Protection & Housing): The minimum wage act is no longer amended. RCW 19.48, which contains miscellaneous business regulations regarding hotels, restaurants, and related businesses, is amended.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: When a business lists a "service charge" on a bill, customers often assume that that portion of the bill is going to the servers, but that is not always the case. This bill ensures that customers are not charged a so-called service charge unless it actually goes to the employee who served the customer. The bill causes no economic hardship to restaurants or other businesses; the restaurant industry supports the bill. The requirements in this bill ensure that servers actually receive service charges that are automatically charged to customers and that customers know where their money is going.

Persons Testifying: PRO: Cindy Richardson, Peggy Whitlock, and Gail Krone, Unite Here Local 8.